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Pennsylvania's Economy Has Its Ups and Downs

October's Performance Is Mixed

Economic indicators for Pennsylvania were mixed in October. Manufacturing activity was little changed while construction industries marked strong gains and mining declined. Persistent depressed levels of production and employment in steel mills were coupled with an ongoing expansion in service industries.

Total employment in Pennsylvania rose 1.7 percent in October, but almost two-thirds of that rise is due to normal seasonal variation. The seasonally adjusted number of employed Pennsylvanians rose 0.6 percent from the previous month and was 1 percent above the level of one year earlier.

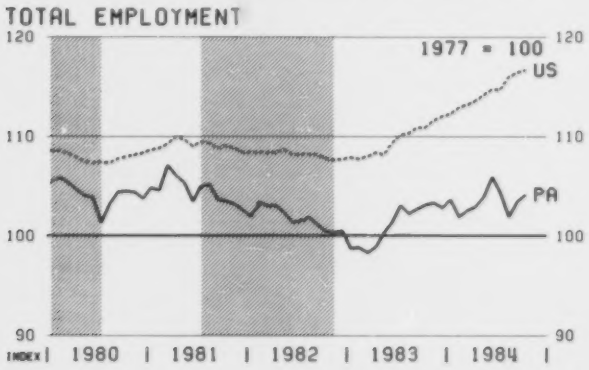
However, the state still trails the nation in employment gains. Nationally, total employment rose 3.5 percent over the year.

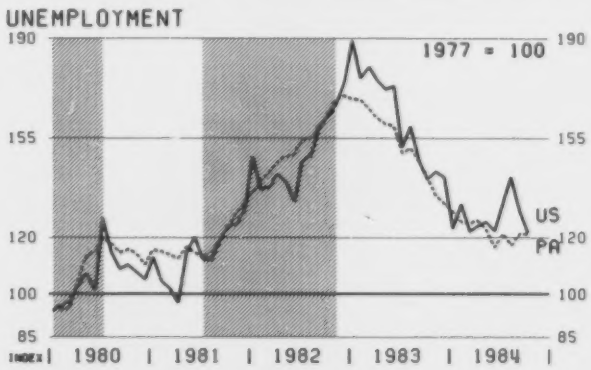
Percentage gains in employment in all major private industry groups, except public utilities and financial services, were greater in the nation than in the state. The most striking differences were in manufacturing industries, up 0.1 percent in the state and 4.1 percent in the nation; mining industries, down 4.2 percent in the state and up 5.3 percent nationwide; retail trade, up 0.6 percent in the state and 4.7 percent nationally; and transportation industries, up 1.5 percent statewide and 6.9 percent in the nation.

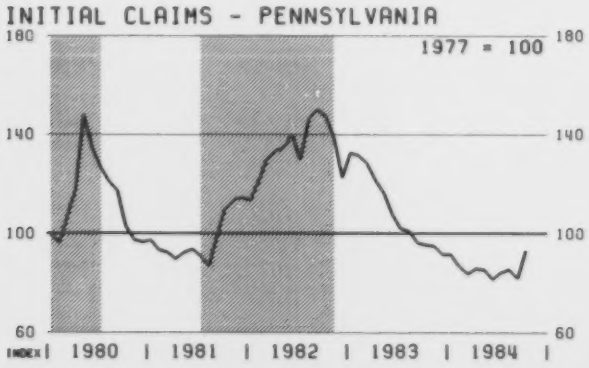
In contrast, because of two large financial centers anchoring the state at both ends, Pennsylvania's financial, insurance and real estate (FIRE) industry group saw a 4.2 percent over-the-year employment gain compared to a 3.6 percent gain in the nation.

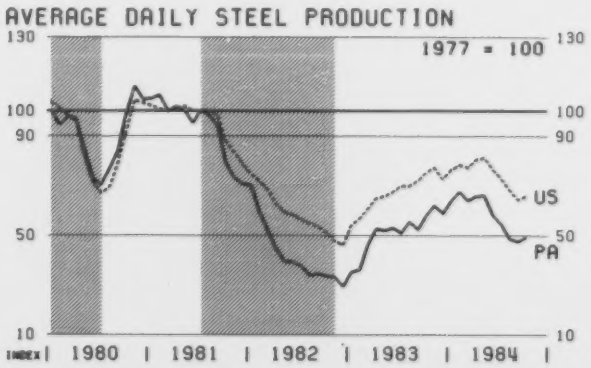
There were 5,800, or 5.3 percent, more FIRE jobs in the Delaware Valley region in October than there were one-year earlier and 2,000, or 4.2 percent, more in the Pittsburgh SMSA. In addition, the Harrisburg SMSA experienced a substantial gain of 1,300 jobs in this industry group, representing a percentage increase of 10.2 percent.

The Pittsburgh SMSA and the Pennsylvania portion of the Philadelphia SMSA together accounted for 65.6 percent of all FIRE employment in the state. The Harrisburg area accounted for another 5.6 percent of these jobs. But the three metropolitan areas accounted









PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **December 1984**

Economic Activity in Pennsylvania	1984 Sept.	1984 Oct.	1983 Oct.	Seasonally Adjusted Indexes 1984 Sept.	1984 Oct.	1983 Oct.
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salary jobs (thous.)[1]	4,647.*	4,671.	4,602.	101.2*	101.4	100.0
Nonmanufacturing						
No. of wage and salary jobs (thous.)	3,525.*	3,555.	3,488.	109.0*	109.3	107.3
Manufacturing						
No. of wage and salary jobs (thous.)	1,115.*	1,112.	1,111.	82.3*	82.5	82.4
Ave. wkly. hrs. worked by prod. workers	40.3*	40.0	39.8	101.7*	101.2	100.7
Total wkly. person-hours worked (mils.)	31.0*	30.6	30.4	79.8*	79.2	78.7
Total wkly. payroll (mil. dols.)	291.5*	287.1	273.8	128.2*	127.8	121.8
Steel production (thous. tons)	961.*	994.	1,167.	48.	49.	58.
Industrial electric power sales (mil. dols.)	3,579.	3,609.	3,511.	95.	98.	94.
Mining						
Anthracite coal (thous. net tons)	402.	395.	423.	86.	71.	79.
Bituminous coal (thous. net tons)	6,043.	n.a.	5,568.†	83.	n.a.	72.†
Construction contracts awarded (mil. dols.)						
Total	572.7	719.9	402.5*	172.	226.	130.*
Residential building	206.3	255.9	208.7*	130.	170.	140.*
Other building	275.3	365.1	149.6*	260.	318.	149.*
Nonbuilding (utilities and public works)	91.1	99.0	44.3*	121.	196.	82.*
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	5,018.	5,102.	5,053.	103.4	104.1	103.1
Unemployed						
No. of persons (thous.)	479.	456.	532.	109.5	121.9	140.5
Rate (percentage of labor force)	8.7	8.2	9.5			
Rate, seasonally adjusted	9.5	9.0	10.3			
Civilian labor force, no. of persons (thous.)	5,497.	5,558.	5,585.	103.9	105.4	106.0
Initial claims for unemployment benefits	91,693.	131,518.	123,845.	82.0	92.9	95.4

Consumer Prices, all items	Urban Indexes (1967 = 100) 1984 Sept.	1984 Oct.	1983 Oct.	Percentage Change Month Ago	Year Ago
U.S. city average	314.5	315.3	302.6	+0.3	+4.2
Philadelphia	303.9	303.7	291.2	−0.1	+4.3
Pittsburgh	n.a.	321.1	313.7	n.a.	+2.4
Northeast PA	298.2	n.a.	287.2†	n.a.	+3.8

NOTES: Data on employment have been revised to first quarter 1983 benchmarks.
[1] Total includes workers on strike. * = figure revised † = figure for September 1983 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

for 90 percent of the over-the-year job gains.

Accompanying October's employment gains was a decline in the number of Pennsylvanians counted as unemployed. The seasonally adjusted number of jobless residents fell 5.8 percent to its lowest level since September 1981, and the adjusted jobless rate fell to 9 percent from 9.5 percent in the previous month.

At the same time, the seasonally adjusted U.S. civilian unemployment rate was unchanged at 7.4 percent.

No improvement in overall manufacturing activity in the state took place in October. Total weekly person-hours worked in Pennsylvania's factories, the broadest measure of labor input, fell 0.7 percent after seasonal adjustment.

This measure was brought down by the average length of the factory workweek, which fell to 40 hours from a seasonally adjusted 40.2 hours in September. The seasonally adjusted number of factory jobs rose a small 0.2 percent.

Nondurable manufacturing industries performed better than those producing durable goods. The workweek in nondurable goods factories fell only 0.1 of an hour, and employment increased a seasonally adjusted 0.4 percent. At the same time, workers in durable goods factories worked a half hour less on average, and numbered approximately the same as in September after accounting for regular seasonal variation.

Durable goods are manufactured items that in normal use are expected to last more than three years while nondurable goods are expected to be used up in three years time.

Steel mills accounted for much of the sluggishness in the durable goods industry group. The steel industry has been hurt by obsolete plant and equipment, high labor costs, and inroads into domestic and foreign markets by foreign competitors.

The seasonally adjusted average daily production of steel in the state rose 3.9 percent in October but

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
March 1984	103.9	89.0	−0.3	−0.2
April	104.0	89.1	0.1	0.1
May	104.4	89.5	0.4	0.4
June	104.1	90.0	−0.3	0.6
July	104.4	89.4	0.3	−0.7
August	103.5	88.4	−0.9	−1.1
September	104.1	88.9	0.6	0.6
October	103.9	88.9	−0.2	0.0

remained nearly 15 percent below the level of a year earlier and less than half the level prevailing in 1979, the year before the two most recent recessions.

The Pennsylvania share of total U.S. steel production dropped to 14.8 percent in October. This compares to a better than 20 percent share prior to mid-1981.

The state's mining industries were also hurting in October as coal users worked down stockpiles built up to guard against anticipated strikes earlier this fall. Employment in Pennsylvania's mines dropped a seasonally adjusted 2.9 percent, and production of anthracite coal plummeted 17.5 percent.

The seasonally adjusted level of bituminous coal mined in the state is also headed down. It fell 7.9 percent in August and 6.1 percent in September. October's figures had not been released as of this writing.

Concurrent with the mediocre performance of the state's factories and the dismal conditions in its mines, Pennsylvania's construction industries were doing very well. The seasonally adjusted level of total construction employment rose 3.7 percent in October, and awards for future construction work registered a post-recession high.

The seasonally adjusted value of total awards rose 31.2 percent, fueled by a 30.4 percent rise in residential building awards, a 22.2 percent increase in nonresidential building awards, and a 61.7 percent jump in nonbuilding awards.

October's rise in nonresidential building awards follows an 80.7 percent rise in September and brought the level of these awards to a record high for the state. These gains reflect strong business spending in capacity expansion.

Also registering a new record high in October was the level of employment in private service industries. These industries, which include business and health-related services, gained another 3,900 jobs over the month, bringing the job level to 1.115 million, or nearly 40 percent of all private nonfarm jobs in the state.

The gains netted out the losses in the composite index of coincident indicators for the state. This measure was unchanged in October from a month earlier.

But the composite index of leading indicators fell 0.2 percent. The large gain in the residential building awards component was offset by a decline in the average length of the factory workweek and a big jump in initial claims for unemployment compensation, which exerts a downward influence on the index.

A single month's decline does not signal an impending downward cycle in business activity; five declines in a six-month period is used as a rule to identify turning points in economic growth.

The leading index has declined three times in the last six months for which we have data, but none of these declines have been consecutive. Besides October's decline, a 0.3 percent decline in June and a 0.9 percent decline in August were registered. We are looking for continued moderate growth.

— Norma I. Gavin

PENNSYLVANIA BUSINESS SURVEY

December 1984 Vol. 25, No. 12

Published monthly by the Center for Research of the College of Business Administration, 103 Business Administration Bldg. II, The Pennsylvania State University, University Park, PA 16802. Subscription rate: $6.00 a year. (ISSN 0031-4382)

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Strong Second-quarter Income Gains

Total personal income in Pennsylvania rose a healthy 2.5 percent in the second quarter of the year, outpacing the 2.1 percent increase in the nation as a whole.

The national income gain was kept down by declines in six agricultural states, where large drops in farm income due to the phasing out of the "payment-in-kind" farm subsidy program offset increases in other income. Nonfarm income rose 2.5 percent in both the nation and the state.

Personal income is current income received by persons from all sources — that is, from participation in production, from government and business transfer payments, and from government interest.

The second-quarter income gain reflected a substantial increase in purchasing power. The percentage change in current dollar personal income far exceeded the national increase in consumer prices, pushing real (inflation-adjusted) personal income up sharply.

Consumer prices, as measured by the implicit price deflator for personal consumption expenditures, increased only 0.5 percent in the April-June quarter.

Pennsylvania had relatively large payroll increases in

Personal Income by Major Source, Seasonally Adjusted at Annual Rates — Pennsylvania and the United States

	Pennsylvania			United States		
		Percentage Change			Percentage Change	
	1984 II (mil. dols.)	Quarter Ago	Year Ago	1984 II (mil. dols.)	Quarter Ago	Year Ago
Labor and proprietors income by place of work	101,045	2.5	9.9	2,124,954	1.8	10.7
By type						
Wage and salary disbursements	83,941	2.3	8.7	1,781,605	2.1	9.1
Other labor income	10,434	3.1	14.3	193,384	2.9	13.9
Proprietors income	6,670	4.3	19.4	149,965	-3.1	28.9
By industry						
Farm	789	16.2	19.4	35,534	-19.2	60.1
Nonfarm	100,256	2.4	9.8	2,089,420	2.3	10.1
Private	87,016	2.5	10.8	1,741,308	2.4	11.0
Ag. serv., for., fish., and other	250	-3.5	1.2	8,485	-3.3	4.1
Mining	1,460	5.2	13.3	35,568	4.6	12.2
Construction	4,876	3.9	8.6	115,084	3.5	14.4
Manufacturing	30,225	2.2	13.7	508,654	1.9	11.9
Nondurable goods	10,615	0.2	8.0	185,796	1.4	7.9
Durable goods	19,609	3.3	17.1	322,869	2.2	14.4
Transportation and public utilities	7,663	3.2	7.8	162,718	2.3	7.6
Wholesale trade	6,145	2.3	9.6	141,571	2.6	10.2
Retail trade	8,986	1.4	6.7	201,961	2.4	9.0
Finance, insurance, and real estate	5,928	2.3	12.2	138,101	2.0	12.1
Services	21,482	3.0	9.9	429,136	2.8	11.3
Government	13,240	1.6	4.0	348,113	1.4	6.1
Federal, civilian	3,470	1.4	2.6	77,647	0.5	3.0
Federal, military	626	0.8	16.8	37,037	0.4	8.0
State and local	9,145	1.8	3.8	233,428	1.8	6.8
Total personal income	145,829	2.5	8.2	2,970,903	2.1	9.8
Nonfarm personal income	145,040	2.5	8.1	2,935,370	2.5	9.4
Net labor proprietor income[1]	93,831	2.6	9.8	1,781,605	1.8	10.7
Dividends, interest and rent	26,926	4.1	12.8	193,384	4.1	13.1
Transfer payments	25,072	0.7	-1.7	149,965	1.1	2.0

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, October 1984.
[1]Total earnings by place of work less personal contributions for social insurance and plus an adjustment for residence.

mining, construction, durable goods manufacturing and private service-type industries. The percentage gain in nondurable goods payrolls was negligible, and in trade industries, it was somewhat lower than the national average.

Income from dividends, interest and rent advanced a solid 4.1 percent in Pennsylvania, the same as in the nation.

Transfer payments rose a modest 0.7 percent in the state compared to 1.1 percent in the nation. The smaller gain in the state was due to a larger percentage drop in unemployment insurance disbursements. These payments halved in the nation over the year while in the state they dropped more than 57 percent.

However, unemployment insurance benefits represented 5 percent of all transfer payments received by Pennsylvanians in the second quarter compared to a lower 3.8 percent of transfer payments paid out nationwide.

— Norma I. Gavin

PENNSYLVANIA BUSINESS SURVEY
Center for Research of the
College of Business Administration
The Pennsylvania State University
University Park, Pennsylvania 16802

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U.Ed. 85-490